



IP POLICY AND INTERNATIONAL AFFAIRS Bulletin

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Recent IP-related actions by Russia create challenges for U.S. rights holders

Since its unjustified invasion of Ukraine on February 24, 2022, Russia has passed legislation and issued decrees which could undermine the protection and enforcement of intellectual property (IP) rights. The IP rights of U.S. stakeholders have not yet been undermined by these actions, but the moves by the Russian government have created an unstable IP environment. They include a recent flood of bad-faith trademark filings by Russian entities at the Russian IP office (Rospatent) and a Russian judicial decision dismissing claims of trademark and copyright infringement. Meanwhile, U.S. right-holders have raised concerns that recent U.S. sanctions may have the unintended effect of preventing them from paying required fees to Rospatent.



Elimination of compensation for compulsory licensing

On March 6, 2022, Russia amended its compulsory license regime by lowering the compensatory royalty rate owed to patent holders to 0.0% of proceeds earned from the sale of the patented products. Prior to this decree, the compensation rate had been set at 0.5% of such proceeds. The zero-percent compensation rate applies to compulsory licenses issued in the interests of “national security.” The new rate is only applicable to patent holders from “foreign states who commit unfriendly actions against Russian legal entities and individuals.”

At the opening session of the World Intellectual Property Organization’s Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications on March 28, the UK delegate criticized Russia for the removal of compensation for unauthorized patent use. The delegates for Japan and Korea also raised concerns.

Russia has only once before issued a compulsory license on the basis of national security: On December 31, 2020, for Gilead’s patents covering Remdesivir as a treatment for COVID-19. Gilead challenged the basis for the compulsory license in the Russian Supreme Court, but lost the case. However, in its decision, the Court stated that a patent holder is due compensation, and that a compulsory license “is not a case of free (gratuitous) use of the patented object.”

Moves to legalize software piracy

On March 2, 2022, the Russian Ministry of Economic Development released a draft proposal providing for the “cancellation of liability for the use of software unlicensed in the Russian Federation, owned by a copyright holder from countries that have supported the sanctions.” On March 14, 2022, the Ministry rescinded the proposal, stating that it was “not relevant at the moment.” Russia’s Ministry of Digital Development, Telecommunications and Mass Media also released a statement saying that it was not supportive of a proposal that would legalize the use of pirated software. It is possible, however, that the Russian government may revive this retaliatory action in the future, given the Ministry of Economic Development’s initial proposal.

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Legalization of parallel imports

On March 8, 2022, the Russian government passed a law allowing it to exempt certain goods from trademark protection. A subsequent decree directed the Ministry of Industry and Trade to identify goods whose parallel importation will be legalized, with determination to be made “on the basis of proposals from interested federal executive authorities [and to] ... include products that are necessary to fill the consumer market.”

On May 6, 2022, the Ministry of Industry and Trade released Order no. 68421, which identifies foreign goods that will be subject to parallel importation. The order heavily targets the automotive sector as well as the computer and clothing/apparel sectors.

Russia’s Federal Anti-Monopoly Service (FAS), which has been pressing for such action since 2014, stated that legalization of parallel imports will boost business activity, expand the consumer market, and lower prices. It has asserted that parallel imports will not lead to an increase in counterfeit goods, since goods will be “subject to all existing customs and control procedures.” Moreover, parallel importation should not be used if the right-holder has “localized and ensured the continuous production of goods in Russia.” In a statement issued in March 2022, Rospatent indicated its support for the legalization of parallel imports.

Draft law on contracts involving IP rights

On March 22, 2022, a bill was introduced into the Russian parliament, the State Duma, that includes a provision that would forbid the cancellation of contracts that involve IP rights, or the unilateral changing of the terms of such contracts, during the period of “unfriendly actions of foreign states.” If passed, the law would be retroactive to February 24, 2022. The rationale for the legislation is to stabilize supply chains for Russian businesses, and to give Russian consumers continued access to goods. To date, no action has been taken on this legislation.

Draft law on withdrawal from the World Trade Organization

On March 21, 2022, a draft law on Russia’s withdrawal from the World Trade Organization (WTO) was proposed as a means of protecting the “national interests of the country” and “self-defense.” According to the bill’s sponsor: “The United States and the European Union violated the rules of the World Trade Organization and imposed economic

sanctions on Russia. After our withdrawal from the WTO, the Russian Federation is not obliged to fulfill its obligations.”

On April 20, the chairman of the State Duma instructed relevant chamber committees to study the advisability of Russia’s continued presence in the WTO. No action has been taken on the legislation to date, and there seems to be disagreement within the Russian government about pursuing it.

Court decision dismissing claims of IP infringement

On March 3, 2022, a Russian commercial court dismissed a claim of trademark and copyright infringement filed by a UK plaintiff, Entertainment One UK, against a Russian defendant, on the grounds of “abuse of right.” The court stated that “In late February–early March 2022 the Western countries, including Britain, adopted restrictive (political and economic) measures imposed against the Russian Federation, legal entities and individuals, as well as senior officials of the Russian Federation. ... Given the restrictive measures in relation to Russian Federation and the plaintiff’s status (the place of the claimant is United Kingdom), the court considers the actions of the claimant as an abuse of law, which is an independent basis for refusal of the claim.”

This decision means that the company’s mere presence in the United Kingdom automatically deprives it of protection of its rights in a Russian court. This effectively nullifies the protections for IP rights that are enshrined in Russian law. The wider implications of this disturbing court decision are yet to be seen.

Bad-faith trademark applications

Since the withdrawal of foreign companies from the Russian market, more than 50 trademark applications have been filed with Rospatent. They directly copy well-known Western brands, such as Amazon, Apple, Coca-Cola, Ebay, Instagram, Mary Kay, McDonalds, Nike, Mastercard, Levi’s, Pampers, and Starbucks. Russian entities are filing these applications despite the fact that all of the brands are already registered trademarks at Rospatent.

Rospatent has responded to the spate of applications, noting that it is obligated to publish in its official bulletin all submitted applications. However, “such publication only indicates that the application for a trademark has been received by Rospatent ... [and] the presence of a previously

registered identical or similar trademark, known in Russia, is an obstacle to the registration of the declared designation.” At this stage, it is too early to predict whether Rospatent will actually deny these trademark applications when they are formally examined.

Secondary effect of U.S. sanctions on IP stakeholders

On February 28, 2022, the U.S. Department of Treasury’s Office of Foreign Assets Control (OFAC) initiated prohibitions on financial transactions with Russian financial institutions, including the Central Bank of the Russian Federation. This presented a problem for U.S. rights holders, since Rospatent requires that payment of fees be made to this bank. In response, the Treasury Department issued General License No. 31 on May 5, 2022. It authorizes

certain IP-related transactions in Russia, including the filing and prosecution of any application to obtain a patent, trademark, or copyright, as well as the payment of renewal and maintenance fees. Questions from the public regarding General License No. 31 should be directed to OFAC at OFAC_Feedback@treasury.gov.

This report was prepared by the USPTO’s Office of Policy and International Affairs. All information was accurate as of the date of publication, June 2022. For information on the USPTO’s engagement with current international developments that deal with intellectual property (IP) and IP policy, visit the [USPTO’s IP policy webpage](#). To keep informed about the latest development in IP policy at the USPTO, subscribe to receive [IP Policy and International Affairs Alerts](#) by email.

Recent Russian IP-related actions at a glance

Action	Effects	Current status
Elimination of compensation for compulsory licensing	Lowers compensatory royalty rate to zero	In effect, pursuant to Decree No. 299 (March 6, 2022)
Government-sanctioned software piracy	Would cancel liability for the use of software unlicensed in the Russian Federation	Draft proposal rescinded by Ministry of Economic Development on March 14
Legalization of parallel imports (i.e., gray market goods)	Exempts certain categories of goods from trademark protection	In effect with issuance of Order No. 68421 (May 6, 2022)
Prohibition on the cancellation of contracts involving IP rights	Would forbid cancellation or changing IP-related contracts	Draft Federal Law No. 92282-8 (March 22, 2022) under consideration
Withdrawal from World Trade Organization (WTO)	Would withdraw Russia from the WTO	Draft Federal Law No. 91393-8 (March 22, 2022) under consideration
Dismissal of claim of IP infringement	Nullifies the statutory IP rights of foreign firms	Court decision against plaintiff in Entertainment One UK v Koykova (March 2, 2022)
Bad-faith trademark applications	Allows for copying the trademarks of well-known Western brands	More than 50 applications published in Rospatent’s official bulletin; currently under review by Rospatent